



Socially responsible
company Market relations
Economic **sustainability**

2016

Annual Report
Ericsson Nikola Tesla Group

Social Report

Socially responsible
operations **Awards** and
Community recognitions
relations **Key** stakeholders
Environmental **protection**
CSR as integral part of
business strategy
Applying the principles of corporate
governance Work environment

ERICSSON NIKOLA TESLA - SOCIALLY RESPONSIBLE COMPANY

Corporate social responsibility (CSR) implies the integration of care for the society and the environment into the Company's business strategy, thus creating prerequisites for successful business and sustainable development of the society. Having a clear image of the importance of corporate social responsibility, for many years now, the Group has followed the highest global standards in business and Ericsson's example as both a technological leader and a global creator of trends and positive impact of the technology on the development of the society. The principles of social responsibility have been incorporated in the long-term development strategy - in all business segments and in relation to all stakeholders.

The Group exercises its impact on the society in an economic and social sense, as well as through its positive attitude towards the protection of the environment. Ericsson Nikola Tesla Group believes that communication is a basic human need and that ICT industry is an initiator of changes which positively impact people's lives, business, and the society. The process of networking the society, which has already begun, will connect everything that may benefit from being connected, thus ensuring that the ICT industry is a strong accelerator of the development of all segments of the society. Working on such networking process, for many years, the Group's experts have been developing and offering the market a wide range

of state-of-the-art products, solutions and services, bearing in mind Ericsson's thesis that technology must be at the service of people and the development of societies (Technology for Good).

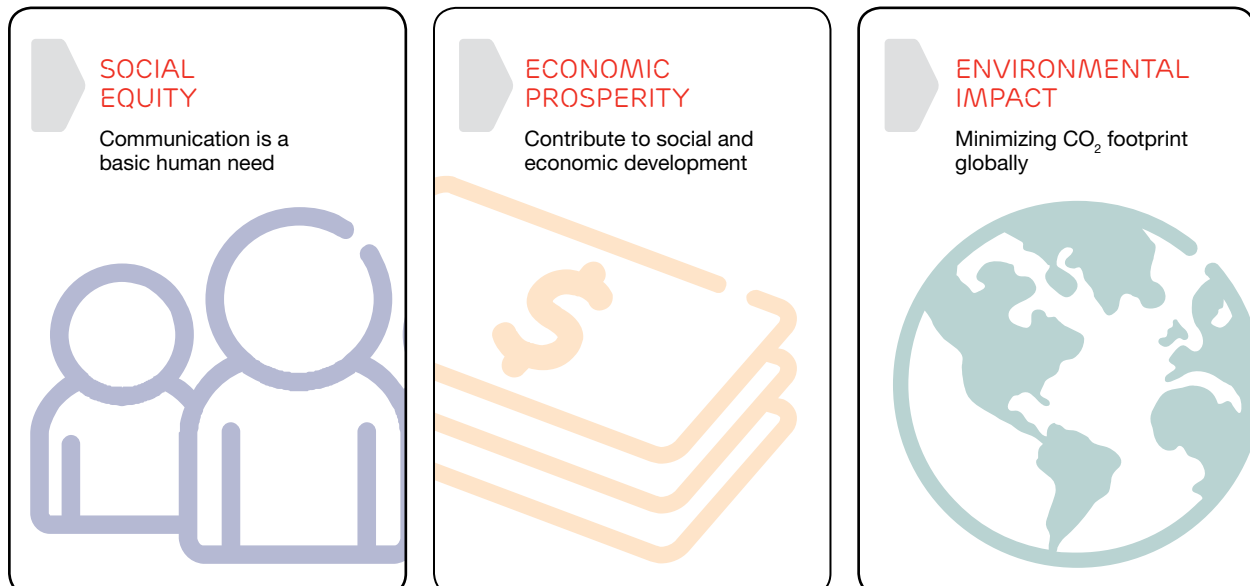
Marketing and Communications (including CSR) organizational unit, along with the associates from other organizational units, is responsible for managing the activities in the area of social responsibility.

The area of social responsibility is defined in Corporate and Company documents: Code of Business Ethics, Code of Conduct, How we manage our business, Supplier Code of Conduct, OHS Policy and the Environmental Management Policy. These documents are an integral part of the governance system, and apply both to the Company, as well as to its partners and suppliers. The Group does transparent business, and management and supervision are carried out pursuant to the principles of corporate governance. Great attention is given to timely and objectively informing the public on all important activities and business results.

The achievements and positive practice with regard to all stakeholders have been recognized by the society, which is why the Group has received numerous awards and recognitions over the years.

This report describes the most significant projects and activities in 2016.

Our triple bottom line



KEY STAKEHOLDERS

Ericsson Nikola Tesla has a clear strategy of its business development, a leading position in its core business, and constantly takes care about the stakeholders' interests. By means of a two-way partnership communication, Ericsson Nikola Tesla responsibly influences its future business and the realization of its every goal and its wanted positions, as well as contributes in a quality manner to the growth and development of its customers, partners, and the prosperity of the community in which it operates.

KEY STAKEHOLDERS	OUR WAY OF WORKING
CUSTOMERS	<ul style="list-style-type: none"> ■ Professionalism ■ Partnership in finding the best solutions ■ Innovativeness in providing comprehensive ICT solutions that have a positive impact on business, peoples' lives and the environment, including climate change ■ Measuring customer satisfaction
EMPLOYEES	<ul style="list-style-type: none"> ■ Lifelong learning and training ■ Attractive jobs in ICT sector ■ Equal development and work opportunities for all employees ■ Performance-based salary system ■ Motivating work environment ■ High-quality equipped workplace and care for occupational health and safety
SHAREHOLDERS AND INVESTORS	<ul style="list-style-type: none"> ■ Applying the principles of corporate governance ■ Timely and objectively informing on the most significant activities and achieved business results
SUPPLIERS AND PARTNERS	<ul style="list-style-type: none"> ■ Joint efforts to improve and enhance the supplier chain ■ Knowledge transfer ■ Regular inspection of Quality and Environmental Management Systems
UNIONS	<ul style="list-style-type: none"> ■ Partnership ■ Consulting and involving in the decision-making process ■ Support to union work, including care for the interests of its members
BUSINESS AND PROFESSIONAL ASSOCIATIONS	<ul style="list-style-type: none"> ■ Participating in activities
GOVERNMENT BODIES	<ul style="list-style-type: none"> ■ Participating in the passing of legislation ■ Exchanging ideas ■ Encouraging business-friendly environment
EDUCATIONAL INSTITUTIONS	<ul style="list-style-type: none"> ■ Support to educational initiatives ■ Transfer of knowledge about the latest technologies ■ Financial aid
COMMUNITY	<ul style="list-style-type: none"> ■ Knowledge exchange ■ Support and collaboration in local initiatives ■ Financial aid

■ SOCIALLY RESPONSIBLE OPERATIONS

Nowadays, the entire world is faced not only with the need to create new jobs and strengthen competitiveness, but also with the issue of an increase in aging population. At the same time, the pressure on raw materials stocks, energy sources, climate change, and the need to preserve the ecosystem is increasing, which encourages the transition to low-carbon economy. The response to all these challenges can be found in a wide application of new modern technologies.

We witness fast changes in the ICT industry, and the already available technology offers unlimited possibilities and business opportunities. The prerequisites for an even faster implementation of 5G mobile technology, IoT, and Big Data analysis have been created. Nowadays, everyone who wants to develop their business, regardless of the business segment they operate in, uses the available information and communication technology. The digital transformation is ongoing, accelerating each day and encompassing absolutely all areas of human activities. The way people live their lives, the existing templates of behavior, models and ways of working, as well as business processes are changing, and the digital transformation of the society is undoubtedly becoming our reality. All these processes will continue and intensify even more in 2017. In such circumstances, the only companies that will be able to survive and evolve are the ones able to transform and adapt fast, as well as the ones able to respond in a new, innovative way to the requests and needs of people, business, and the environment in the Networked Society.

It is expected that over the next several years, intelligent digital networks will connect billions of various devices worldwide. This will significantly impact the habits, needs and behavior of modern people, both in their professional and private lives. The technology we work with has a huge potential for the development of all industry branches and social activities as well as for improving the quality of life and encouraging creativity of each individual in the society. The potential of the ICT sector is such that even with a linear growth, by 2025, we can reach the number of 50,000 employees in ICT segment in Croatia, most of whom will work in the segment of software and IT service development.

Ericsson Nikola Tesla, as an associated company of the Ericsson corporation and a leader in the ICT segment, actively participates in global processes of developing and implementing modern information and communications technologies for the requirements of the Networked Society.

At the end of 2016, our experts successfully completed the implementation of the Joint Information System of Land Registry and Cadaster. This is a strategically important project on the national level, which, now that it has been fully implemented, provides users with a much better, faster and simpler insight into the unified data from land registry and cadaster.

Moreover, our experts have successfully improved the high level of health care informatization in Croatia, based on the

Key areas of sustainability and social responsibility



- Doing business with a high level of integrity and ethics
- Anti-corruption program
- Respecting human rights
- Responsible sourcing
- Occupational health and safety
- The role of ICT in IT safety and privacy protection.



- Employee engagement in sustainability and social responsibility integration process in all business segments
- Employee engagement in initiatives - Technology for Good
- Enabling employees to clearly understand policies and directives.



- Ensure products, solutions and services that have a positive impact on energy efficiency, consumption of materials and the environment
- Optimize the impact of our activities on the environment (business trips, transport, facilities management, etc.)
- Ensure delivery of transformed ICT solutions for smart and sustainable cities.



- Climate change, challenges and urbanization possibilities
- ICT has an important role in delivering transformed solutions for sustainable cities.

Central Healthcare Information System of the Republic of Croatia (CEZIH), by implementing the central Electronic Health Record (EHR) and m-Health services in monitoring the health status of patients with chronic diseases.

Ericsson Nikola Tesla Group has included in its development strategy strategic priorities, as were defined by the European Union in the Europe 2020 document. It is a vision of social market economy which encourages smart, sustainable, and inclusive economy, with a high rate of employment, productivity, and social connectivity.

Pursuant to the guidelines of the Global Report Initiative (GRI), which represent a framework for reporting about the Company's sustainable and responsible business, Ericsson Nikola Tesla reports on its impact on the environment through economic, social, and environmental dimension.

Areas of Socially Responsible Operations are the following:

- Economic sustainability
- Integration of socially responsible practices in the business strategy
- Work environment
- Market relations
- Environmental protection
- Community relations.



United Nations Sustainable Development Goals



ECONOMIC SUSTAINABILITY

Contribution to economic prosperity

Our business practice is based on facilitating our own business growth and development, as well as meeting the requirements of key stakeholders. Such Way of Working and conducting business is in line with contemporary business models and the best global business practice of social responsibility and sustainable development.

The Group has been, for many years, monitoring and meeting all key strategic goals, including economic sustainability, through Balanced Scorecard (BSC) and Key Performance Indicators (KPI). Balanced Scoreboard monitors achieved results through four basic perspectives: customers, employees, shareholders and the society.

Direct and indirect contribution to economic progress

The Group monitors its contribution to national economy both through its direct and indirect impact. Direct impact is measured by traditional financial indicators, which are presented and explained in detail in the Financial Statements of this Annual Report. The added value realized from the Group's operations in 2016 amounts to MHRK 872.7, an increase by 7.8 percent YoY, while Ericsson Nikola Tesla's added value increased by 11.7 percent.

Employment

By the end of 2016, Ericsson Nikola Tesla Group had nearly 3,000 employees; Ericsson Nikola Tesla d.d. employs the largest number of employees, nearly 2,150, while more than 750 employees are employed by

Ericsson Nikola Tesla Servisi d.o.o. Due to gaining new activities and responsibilities in the R&D segment, as well as the service delivery, we continued with intensive employment, and solely in 2016, we employed 318 new experts. These are primarily young, highly educated people who are immediately joining comprehensive, global ICT projects, important for the Networked Society of the future. In the environment where we conduct our business, the Group has been recognized as an attractive employer, as it provides its employees with a pleasant work environment, attractive jobs, promotion prospects and lifelong learning, as well as competitive earnings.

Group's cooperation with the Academia ensures a mutual exchange of knowledge. At Ericsson Nikola Tesla, we conduct a range of programs aimed at young people, in order to focus them towards and draw their attention to STEM and ICT. Top graduate students, working on joint faculty and Group's projects, already during their studies get familiarized with the latest technological trends and contemporary ways of working. In this way, on the one hand, we help young people to prepare for labor market the best way they can; on the other hand, we choose the best students, who become the employees of Ericsson Nikola Tesla Group immediately after their graduation.

Taxes and contributions

Ericsson Nikola Tesla Group regularly and transparently calculates and pays taxes, contributions and other fees pursuant to the regulations of the Republic of Croatia. In this way, the Group substantially contributes to the functioning and development of numerous activities important for everyday life of Croatian citizens.

Value added from operations

	Ericsson Nikola Tesla Group		Ericsson Nikola Tesla d.d.	
	2016	2015	2016	2015
	HRK '000	HRK '000	HRK '000	HRK '000
Sales revenue	1,591,602	1,364,258	1,575,862	1,329,114
Other operating income	4,658	4,489	4,809	4,666
Financial income	5,826	1,761	5,813	1,738
Total income	1,602,086	1,370,508	1,586,483	1,335,518
Procurement and other operating expenses	-680,683	-508,762	-814,613	-634,448
Depreciation and amortization	-48,734	-51,851	-44,235	-49,528
Value added distributed among:	872,669	809,895	727,636	651,542
- Employees	753,260	716,765	609,405	561,736
- Government (income tax)	8,083	1,582	8,101	0
- Financial institutions	582	199	563	166
- Shareholders	110,744	91,349	109,567	89,640
Value added increase	+7.8%		+11.7%	

Wanted position in the Networked Society



Procurement

The Group requires its suppliers and partners to meet high-quality standards and adhere to the Supplier Code of Conduct, which includes respecting basic human rights, work standards, environmental management and anti-corruption. In addition, the suppliers are familiarized with a list of harmful materials, as well as materials of banned or limited usage, and they must prove their products do not contain such materials.

Implementation of new ICT

Communication is a basic human need, which contributes to economic progress and social equality, as well as provides high-quality solutions for many sustainable development issues. We aim to ensure that our technology is a force doing good on a global scale, and having a positive impact on the environment. We firmly believe that ICT promotes greater transparency, and improves numerous basic human rights, for example, the right to health, education, mobility, freedom of expression, etc.

Standardizing business chain

A key factor for sustainable development is the trust of all stakeholders included in the business chain: from creating and using, up to ecological disposal of products or solutions. Respecting high standards in all activities and processes as well as towards all stakeholders is an imperative to which all Group employees adhere to.

Knowledge exchange

Exchange of knowledge on new developments in ICT, contemporary business models and ways of working, and using high standards and global standards in business are just some of important topics in whose promotion the Group's experts participate. Many of them are renowned members of professional associations, lecturers of specialized courses in educational

institutions, and authors of numerous papers and articles, published both in Croatia and abroad.

Dialog and consulting

In the community in which it operates, Ericsson Nikola Tesla Group initiates and shapes positive changes in the society through dialog, consulting and exchange of experts' opinions.

Memberships

Ericsson Nikola Tesla is an active member of numerous professional associations and organizations, initiatives, and business and academic associations, which pool their knowledge, skills, innovativeness and responsibility with the aim of contributing to business success, social benefits, and environmental protection. Whether it regards the company level or a respected expert, the common denominator of these memberships is dedication and commitment to meet the objectives of the association. Besides being a regular member of the Croatian Chamber of Economy and its bodies, such as Croatian International Chamber of Commerce (ICC Croatia), the Company is also a regular member of the Croatian Employers' Association, Croatian Managers' and Entrepreneurs' Association (CROMA), Croatian Exporters, Lider's Club of Exporters, Nordic Chamber of Commerce, Council of the Faculty of Electrical Engineering and Computing in Zagreb, Council of the Faculty of Traffic and Transport Sciences in Zagreb, Croatian Standards Institute, IEEE, MIPRO, Croatian Information Technology Association, World PMI Association, PMI Croatia, Croatian Chamber of Electrical Engineers, Croatian Society for Medical Informatics, Agile Croatia Association, Croatian Java User Association, Croatian Association of Purchasing, Croatian Institute for Occupational Safety Improvement, Croatian Public Relations Association, Association of Corporate Lawyers, Croatian Journalists' Association, National Foundation for the Support of Student Living Standard, etc.

CORPORATE SOCIAL RESPONSIBILITY AS INTEGRAL PART OF BUSINESS STRATEGY

Integrated approach

ICT positively impacts people’s lives, business, the environment and society at large. A solid foundation of sustainable business development consists of: partnership with customers, excellence in all activities and processes, and technology leadership. Nowadays, Ericsson Nikola Tesla Group is the leading regional provider of modern ICT products, solutions, software, and services, driving positive changes in Croatia and in all the markets where it operates. We continuously encourage the creation of new added value to business, while at the same time, the business is transformed and new business opportunities are found. The Group’s competitiveness is based on continuously improving business performance and managing changes, primarily through human resources development, innovation culture, and new integrated ways of working and management. The adopted Way of Working implies that all employees adhere to corporate principles and values in their daily work.

The implementation of the Company’s vision and mission is based on the idea of applying unique principles and basic values in daily work and doing business. The employees actively participate in the development and constantly improve the cooperation with numerous customers, partners, and other stakeholders. By creating and offering advanced ICT products, solutions, and services, Ericsson Nikola Tesla Group initiates transformation and enables business development of its numerous customers and partners, as well as accelerates positive changes in the society. Professionalism, perseverance and respect as the basic

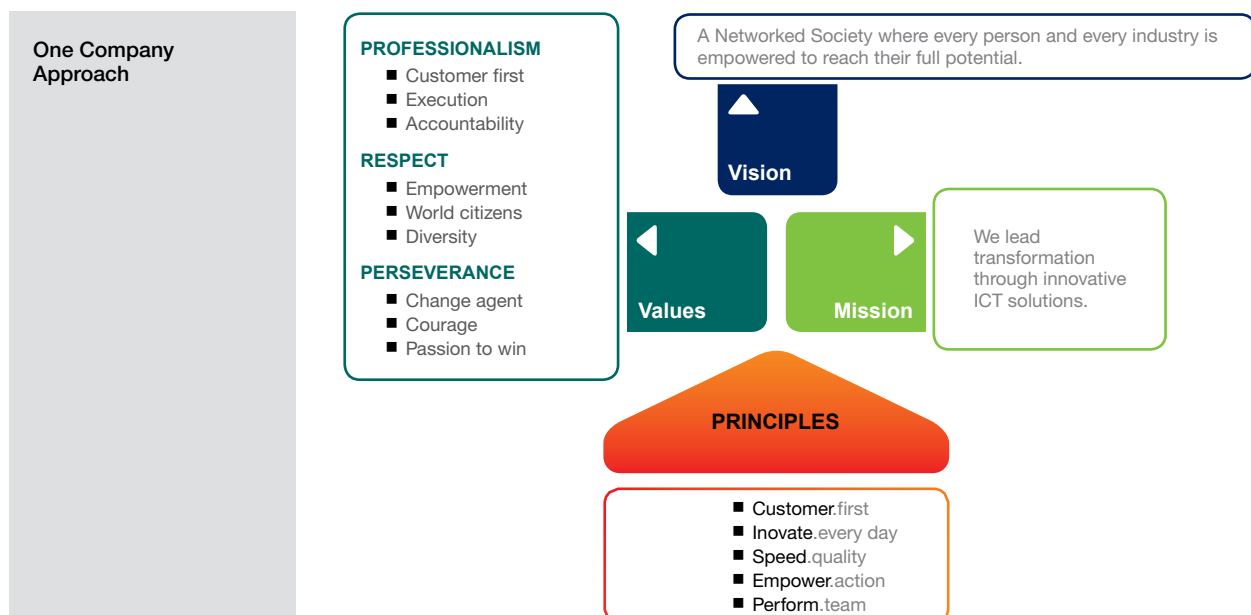
values of the organization’s culture are applied in daily work and interaction. The focus on technology leadership, employees’ competence development, as well as global and regional presence, represent the basic principles of the Group’s strategy.

Key areas

Ericsson Nikola Tesla Group’s business strategy is focused on creating innovative ICT solutions that improve people’s lives by creating a new value for business and social community. The strategy also includes respecting high standards and applying the best practice in the field of corporate social responsibility.

With its business, Ericsson Nikola Tesla Group:

- Supplies advanced ICT products, solutions and services
- Applies efficient processes that are in line with the vision and business strategy
- Continuously improves products, solutions, services and business processes
- Encourages the employees’ creative potential
- Continuously increases customer satisfaction
- Is compliant with the market-set standards
- Contributes to the development of ICT infrastructure
- Has a positive impact on the environment by providing energy-efficient and high-tech products, services and solutions that are safe for health.



Risk management

In implementing its strategy and achieving business goals, the Group is faced with unfavorable market conditions and various business risks on a daily basis. The Company's Management System takes these risks into consideration and enables their timely identification, analysis and assessment, as well as taking appropriate preventive measures to eliminate or mitigate them. Through the Integrated Management System, risk management is incorporated into all business segments and all operative processes with the aim to achieve:

- Responsibility
- Effectiveness
- Efficiency
- Uninterrupted business
- Compliance with corporate governance, legal and other requirements.

Managers of all organizational units in the Group, together with the employees, actively participate in the risk management process, and each employee is expected to personally contribute to overcoming or mitigating the risks.

Total Quality Management

Ericsson Nikola Tesla Group ensures excellence in its business by applying the Total Quality Management (TQM) principle. In its every activity, the Group strives for operational/business excellence. This implies achieving a high level of organizational maturity and the ability of applied processes. The aim is to achieve a high professional level of business, where all key processes are applied optimally and improved by going beyond the organizational unit frameworks. In such way, prerequisites are made for achieving the major objective, which is to have satisfied customers. Integrated Management System helps the employees to successfully implement the planned tasks (by doing the right thing well, at the first attempt).

Integrated Management System

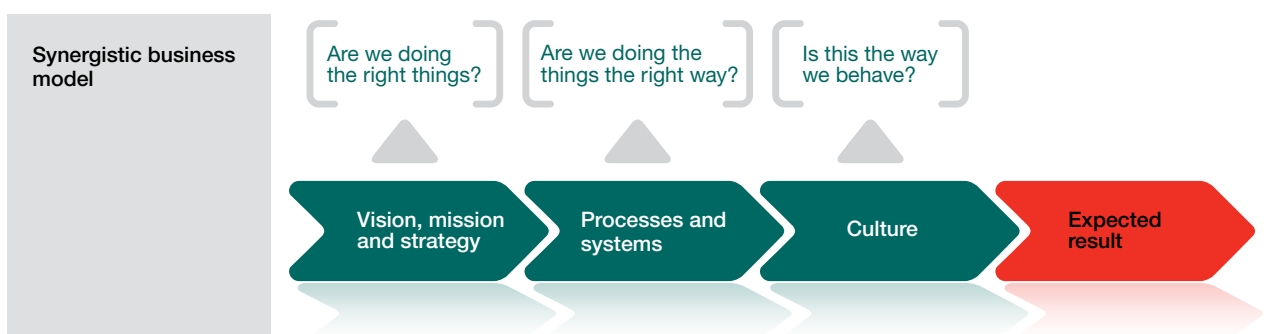
Integrated Management System is an effective tool that helps the Group Management to manage business. Via

intranet/Internet pages, the employees can, at any time, access important information from that field. The system enables executing the set business objectives. The system facilitates the visualization of all the elements used in the process of managing the Group, placing the focus on business "value streams." The Management System is also an interface towards our partners and suppliers, who are in this way involved and motivated to harmonize and improve their way of doing business.

Ericsson Nikola Tesla's management system is an integral part of the corporation management system - Ericsson Group Management System (EGMS) - and is harmonized with it. It is primarily based on the ISO 9001 standard, containing requirements related to Quality Management. However, in modern-day ICT industry, it is no longer possible to meet one single standard; rather a synergy between various standards, models and methods should be established. Therefore, Ericsson Nikola Tesla's Integrated Management System also meets the requirements of the following standards: Environmental Management System (ISO 14001), Occupational Health and Safety Management System (OHSAS 18001), Information Security Management System (ISO 27001), Medical Devices Quality Management System (ISO 13485).

The internal control system is an integral part of the Company's Integrated Management System. Risk management is based on the COSO model (The Committee of Sponsoring Organizations of the Treadway Commission). Elements of globally applied improvement models and methods have been included in the Integrated Management System, such as CMMI (Capability Maturity Model Integration), EFQM (European Foundation for Quality Management) and Six Sigma. Ericsson Nikola Tesla, just like Ericsson corporation, successfully adopts and applies an advanced approach to software development, which is based on Lean principles and Agile methods - Lean & Agile.

By means of the Integrated Management System, Ericsson Nikola Tesla Group also defines functions and responsibilities, organization, processes, as well as other factors which have an important role in ensuring operational/business excellence and achieving a high quality of products, solutions and services. The Management System is regularly updated and aligned with organizational changes.



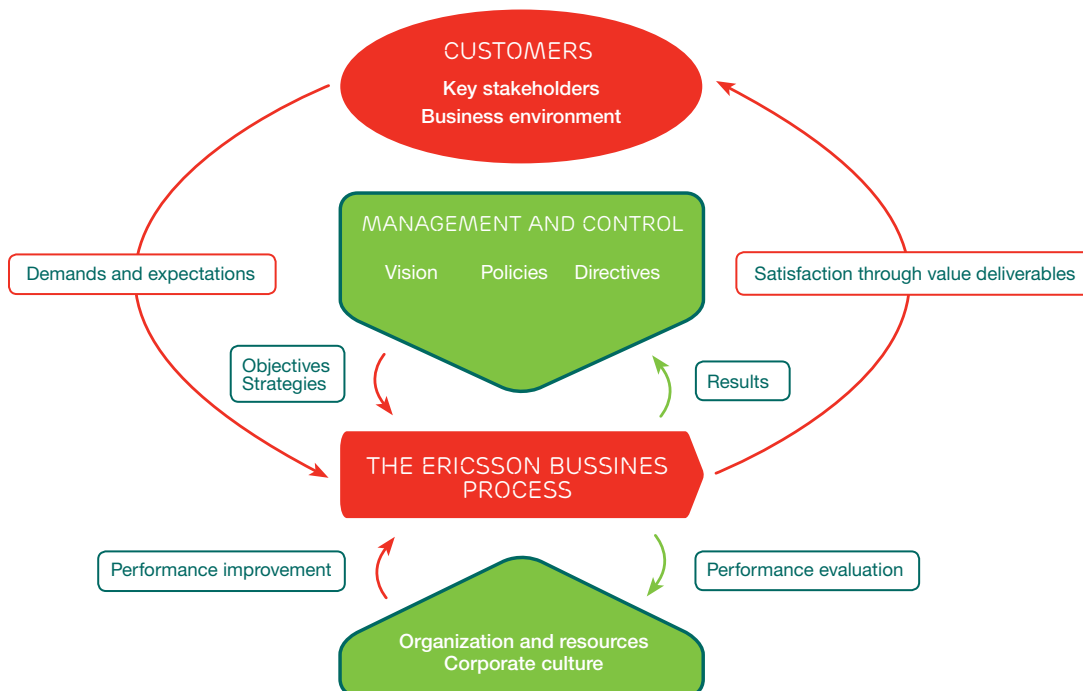


Certificates

Ericsson Nikola Tesla regularly certifies its Management System through independent certification authorities, and holds the following certificates:

- **ISO 9001:2008** - Certificate for Quality Management System, including Regional Management, Marketing, Sales and Delivery of ICT Solutions, Products and Services, including Managed Services, Intertek, Sweden (as a part of the Ericsson Group certification)
- **ISO 9001:2008** - Certificate for Quality Management System, including Research and Development in ICT Software, SIQ, Slovenia
- **ISO 14001:2004** - Certificate for Environmental Management Systems, including Regional Management, Marketing, Sales and Delivery of ICT Solutions, Products and Services, including Managed Services, Intertek, Sweden (as a part of the Ericsson Group certification)
- **OHSAS 18001:2007** - Certificate for Occupational Health and Safety Management Systems, including Regional Management, Marketing, Sales and Delivery of ICT Products, Solutions and Services, including Managed Services, Intertek, Sweden (as a part of the Ericsson Group certification)
- **ISO 27001:2013** - Certificate for Information Security Management Systems, including Marketing, Sales, Development and Delivery of ICT Products, Solutions and Services (all in accordance with the latest Statement of Applicability), EY CertifyPoint, The Netherlands
- **ISO 13485:2003** - Certificate for Medical Devices Quality Management Systems, including Development, Marketing, Sales and Delivery of Services and Production of ICT Healthcare Solutions, Intertek, Sweden.

Integrated Management System



WORK ENVIRONMENT

Our employees

Ericsson Nikola Tesla Group, as part of global Ericsson, successfully conducts business in Croatia, as well as in numerous foreign markets. Business success, as well as business growth and development, are founded on employees' innovativeness, knowledge and skills.

One of the Group's strategic objectives is to attract and retain efficient, competent and motivated people, while at the same time perfecting their skills, and constantly encourage individuals' ambitions to succeed in a competitive environment. This contributes to perceiving Ericsson Nikola Tesla Group as an innovative and proactive organization of motivated, creative and satisfied employees. This is especially important in the context of complex and dynamic trends that characterize ICT industry and e-Business.

Core principles governing the Group in its business are the following:

- Business ethics
- Equal possibilities and work conditions for all employees
- Equality and human rights protection.

Our values are the foundation of our company culture. They guide our employees in their daily work, interaction and Way of Working:

- Professionalism in daily operations and task performance
- Respect for people, which is reflected in top work conditions and partnership with customers
- Perseverance in achieving goals.

By strengthening these fundamental values every day, Ericsson Nikola Tesla Group encourages development and an advanced environment, aiming at professional and business excellence. Constant focus on improving business results and competence development creates new value for all stakeholders.

Fundamental values



Employee structure

Number of employees (as at December 31, 2016)

Ericsson Nikola Tesla Group - 2,949 employees

- Ericsson Nikola Tesla d.d - 2,148 employees
- Affiliated companies:
 - > Ericsson Nikola Tesla Servisi d.o.o. - 758 employees
 - > Libratel d.o.o. - 25 employees
 - > Ericsson Nikola Tesla BH d.o.o. - 17 employees
 - > Ericsson Nikola Tesla d.d. - Branch Office Kosovo - 1 employee

University graduate experts (percentage)

Ericsson Nikola Tesla Group - 70 percent

- Ericsson Nikola Tesla d.d. - 88 percent
- Affiliated companies - 30 percent

Doctors and Masters of Science (percentage)

Ericsson Nikola Tesla Group - 6 percent

- Ericsson Nikola Tesla d.d. - 8 percent
- Affiliated companies - 2 percent

Average employee age

Ericsson Nikola Tesla Group - 41 years

- Ericsson Nikola Tesla d.d. - 38 years
- Affiliated companies - 45 years

Employees younger than 32 (percentage)

Ericsson Nikola Tesla Group - 29 percent

- Ericsson Nikola Tesla d.d. - 34 percent
- Affiliated companies - 14 percent

Average employment duration

Ericsson Nikola Tesla Group - 14 years

- Ericsson Nikola Tesla d.d. - 10 years
- Affiliated companies - 17 years

Employees with up to two years of work experience (percentage)

Ericsson Nikola Tesla Group - 28 percent

- Ericsson Nikola Tesla d.d. - 28 percent
- Affiliated companies - 24 percent

Gender ratio (Male vs Female) (percentage)

Ericsson Nikola Tesla Group - 77 percent : 23 percent

- Ericsson Nikola Tesla d.d. - 73 percent : 27 percent
- Affiliated companies - 83 percent : 17 percent

Average Manager age

Ericsson Nikola Tesla Group - 47 years

- Ericsson Nikola Tesla d.d. - 44 years
- Affiliated companies - 49 years

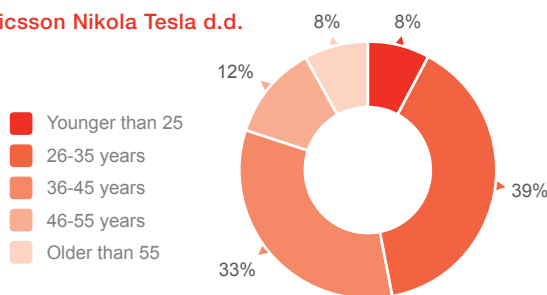
Female Managers (percentage)

Ericsson Nikola Tesla Group - 22 percent

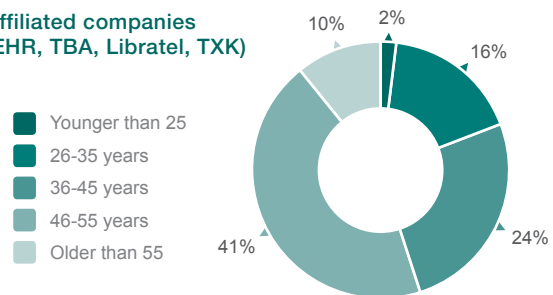
- Ericsson Nikola Tesla d.d. - 24 percent
- Affiliated companies - 18 percent

Employees according to age (as at December 31, 2016)

Ericsson Nikola Tesla d.d.



Affiliated companies (EHR, TBA, Libratel, TXK)

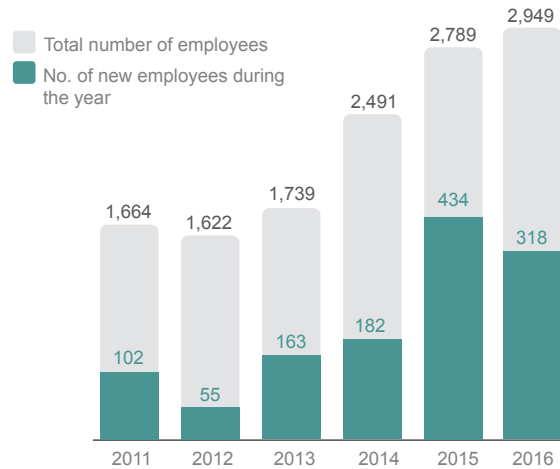


Ericsson Nikola Tesla Group, as a member of Ericsson corporation, respects all internationally proclaimed human rights, including the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. By adhering to these charters, we ensure human rights protection and equality of all employees. Each employee in Ericsson Nikola Tesla Group is entitled to exercise his/her basic human rights and should not be forced to suffer physically or mentally during their work. No employee of the Company shall be discriminated based on race, color, gender, sexual orientation, marital or parental status, pregnancy, religion, political opinion, social origin, social status, disability, age or union membership.

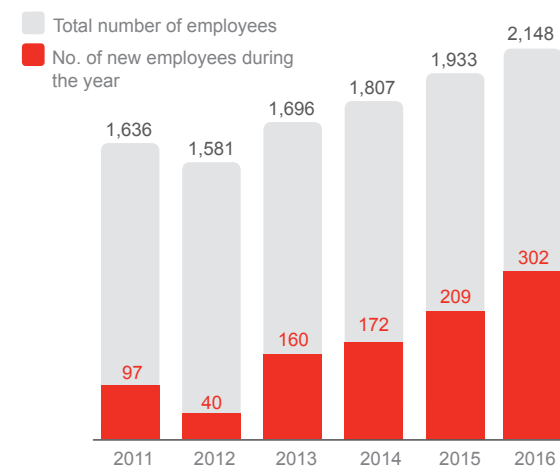
Employee movement

In 2016, Ericsson Nikola Tesla Group hired 318 new employees. Ericsson Nikola Tesla d.d. hired 302 new experts due to gaining new business activities and responsibilities in R&D segment and service delivery, and affiliated companies hired 16 new employees.

Employee movement in Ericsson Nikola Tesla Group



Employee movement in Ericsson Nikola Tesla d.d.



Introducing trainees into the work processes - hiring and selection procedure

With special care, we organize and carry out the selection procedure when hiring new employees. Our experts included in the selection procedure do their work in a highly professional and competent manner, focusing on people and their needs. In their work, they are governed by the *Right person in the right position* motto. Being a responsible employer, the Group aims to hire the person who is capable of meeting the job position requirements, adequately respond to tasks presented, and thus contribute to meeting organizational objectives and impact the overall dynamics of both the working team and the organization. Our employees show a sense

of satisfaction. Successfully performing business activities positively impacts their motivation for further learning and developing new competences, as well as their sense of workplace stability and safety.

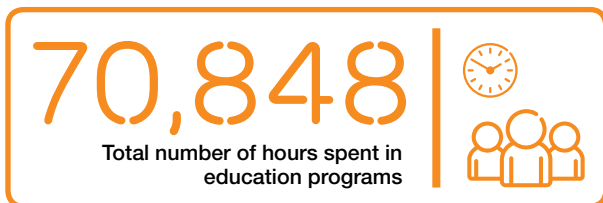
The Group has a long-term strategy of attracting, including, and most importantly, retaining best talents, as this is the only way to ensure meeting highly set business objectives. Research shows that employer branding is becoming a key component in successful organization management. The Group defined the necessary knowledge, skills and characteristics which a talented candidate should possess, as well as mechanisms and incentive measures for attracting and retaining the most talented experts. We have clearly defined our areas of excellence, and all our employees are governed by the principles of corporation culture in their daily work, which differentiates us from others. We base our strength on the synergy of youth and experience of four generations working together. With their way of working and conducting, our employees represent the Company's best ambassadors, strengthening the Company's reputation and attracting best talents and experts.

Mentoring new employees

In the last years, Group's business performance has been marked by a large number of newly employed young educated people without work experience. In order to introduce young employees into working processes as quickly as possible and with a higher quality, and prepare them for working individually, over the years, we have trained a number of mentors who provide expert help and support to new employees. Good mentor relationship has its true value if it is based on emotional connection, trust and focus on gaining new knowledge and developing new competences. A well thought mentor's evaluation template during trainee period contains the evaluation of key competences for the trainee position, describing what the trainee learned during the preceding period, what should the trainee learn in the upcoming period, as well as additional recommendations. Regularly, once a year, we conduct an employee satisfaction survey among newly hired employees. The aim is to hear their opinion on the organization and work conditions, as well as the work environment, the level of knowledge about strategic objectives and tasks, opportunities for education and career advancement options, mentoring, etc. The survey



Ericsson Nikola Tesla Group – an organization that learns
2016 facts and data



results are used to create corrective measures with the objective of improving this important process.

Investing in lifelong learning

In Ericsson Nikola Tesla Group, an important part of the long-term development strategy is to develop employees' professional, business and personal competences. Coordinating employees' knowledge, skills and competences with the needs of the Networked Society, agile ways of working in the ICT segment and modern project management represent the central focus of Group's development strategy. The Education Center of Ericsson Nikola Tesla d.d. operates as a flexible organization focused on providing a wide range of educational services for the needs of employees, customers and partners. Education Center coordinates the work of internal trainers' network and collaborates with renowned educational institutions in Croatia and abroad, as well as with Ericsson Academy, which globally provides education to all Ericsson employees. Moreover, the employees can develop their competences by taking e-courses, using internal corporation software tools for exchange of specialist knowledge, attending seminars, conferences, postgraduate studies, and during their work on regional and global projects. The Group is included in the Talent Management Program and Innovation Program. These are Ericsson corporation global programs where special attention is paid to experts with relevant knowledge and skills, and top intellectual potential. With desire to additionally strengthen young managers, newLDP program was launched. This is a comprehensive development program, based on Ericsson leadership framework. newLDP is a one-year program which includes various learning methods (modular courses, coaching and mentoring, e-learning, learning by exchanging knowledge and experience, etc.) and places considerable emphasis on applying acquired knowledge and skills in the work environment.

Work environment

Ericsson Nikola Tesla Group continuously creates and enhances a motivating work environment by:

- Ensuring attractive jobs and giving clear roles to each employee, in order to achieve common goals
- Giving the possibility of lifelong learning and specialization, as well as career development
- Ensuring equal work and development conditions to all employees
- Encouraging innovativeness in all work segments
- Giving the possibility to work in global teams
- Recognizing and visualizing individuals and teams who achieve the best results

- Performance-based award system
- Modern equipped work place with all the tools necessary for work
- Motivating Company culture
- Flexible work hours
- Taking care of the employees' health and providing a high level of occupational health care
- Providing a high level of occupational safety
- Supporting parents with children of preschool age by organizing a daycare in kindergarten located in the immediate vicinity of the Company
- Providing the possibility of recreation and socializing in sport and culture associations
- Providing benefits of the Bonus club.

Occupational health and safety

Ericsson Nikola Tesla Group takes great care of its employees' health and work conditions. The most important activities which took place in 2016 are listed below:

- **Implementation of Occupational Health and Safety Management System – OHSAS Standard 18001**

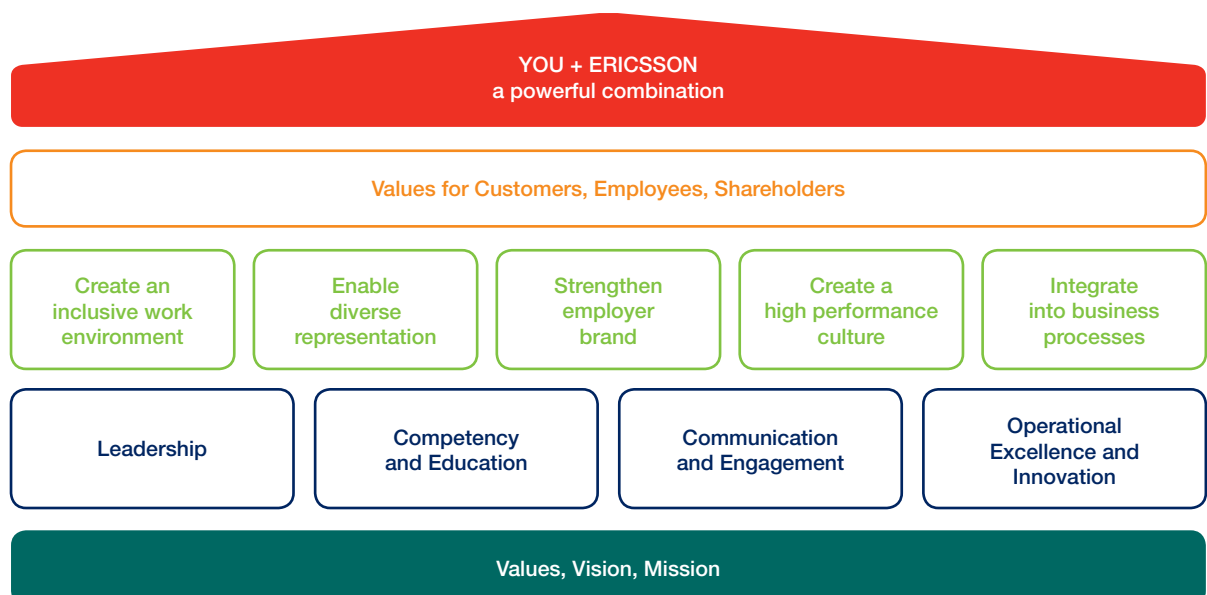
As part of global Ericsson, Ericsson Nikola Tesla Group has the OHSAS Standard 18001 Certificate.

The protection of employees' health and their safety at work represent the Group's strategic priority. Therefore, in 2016, we continued to conduct activities related to occupational health and safety. In line with the Occupational Safety Act, we conducted an evacuation exercise at the location of Ericsson Nikola Tesla in Zagreb. The results have shown that it was well organized, and that the employees had a high level of training in case of an emergency situation. OHS expert team actively participated in evaluating our suppliers.

- **Implementation of Occupational Health and Safety Management System**

A larger number of new employees in our affiliated companies works on jobs with special working conditions. Therefore, during 2016, various special courses were organized for them. New protective equipment, clothes and shoes were procured for the employees working in special conditions. In 2016, 18 occupational injuries occurred in the Group, seven of which were related to injuries during commuting to/from work. Intranet page on OHS is regularly updated with new content and current events, so the information is instantly available to all employees. Occupational Health and Safety Committee meetings in Zagreb and Split were held regularly within the legally prescribed deadlines (four times a year).

Diversity & Inclusion Strategy



■ **Regular medical checkups**

Regular medical checkups were organized for all the Group’s employees. Employees younger than 40 have checkups once every 3 years, while the employees aged 40-50 can have their checkups once every 2 years; and for employees older than 50, checkups are organized once a year. Where appropriate, the Group organizes checkups for employees traveling to high-risk countries. The results of regular checkups are analyzed in detail, and precautionary measures for health protection are suggested, with the aim of reducing risk of illnesses and improving the health status of each individual employee. For employees using optical appliances, eye test, prescribed by law, is performed in our physician’s office.

■ **Occupational physician**

Occupational health and safety experts and occupational physician continuously cooperate on a high level. The aim of cooperation is constantly improving work conditions, which positively impacts the health and safety of our employees, thus contributing to a higher level of their satisfaction at their workplace.

■ **Recreational activities**

Many sports and recreational programs aimed at employees and adjusted to their needs are regularly held.

■ **Employees education and training**

All new employees regularly attend an introductory seminar, as defined by law, related to occupational

health and safety and training for fire prevention. Where appropriate, other safety-at-work trainings are organized. Special attention is paid to regular trainings for workers engaged under special conditions, such as work at heights. Special occupational health and safety training courses are organized for new managers, i.e. employer’s representatives, with the aim to understand the role and importance of implementing the rules of occupational health and safety, thus contributing to employees’ health and safety, and successfully performing daily activities and tasks.



Overview of occupational injuries and worktime lost

	Ericsson Nikola Tesla Servisi	Ericsson Nikola Tesla d.d.	Ericsson Nikola Tesla Group
Injuries			
Severe	2	0	2
Minor	8	1	9
Injury during commuting to/from work	0	7	7
Total	10	8	18
Worktime lost due to employee injuries – days			
Severe	102	0	102
Minor	262	0	262
Injury during commuting to/from work	0	261	261
Total	364	261	625

■ MARKET RELATIONS

Ericsson Nikola Tesla Group and all its employees, together with their colleagues from Ericsson corporation, share a joint responsibility and commitment to the highest level of integrity and ethics in doing business. Integrity and ethics are an integral part of the Company's culture and an essential characteristic of our Way of Working and doing business. Operating with a strong sense of honesty is crucial to maintain credibility and preserve the trust of customers, partners, employees, shareholders and all other stakeholders. All the Group's employees consider creating a transparent environment in managing business a top priority.

All stakeholders that have a contractual relation with the Group, as well as all employees, are required to adhere to the Code of Conduct and Code of Business Ethics in their daily operations.

The management process is conducted in accordance with the principles listed in the Code, and everyone, including the Management Board and Executive Management, as well as each individual employee, is obliged to comply with these standards. The purpose of the Code of Conduct is to protect human rights, promote fair employment conditions, safety at work, responsible environmental management and high ethical standards. The Code of Business Ethics refers to individual responsibilities in relation to all the stakeholders that participate in communication or a business activity.

The Code of Business Ethics reflects the Group's commitment to responsible business management, including:

- The commitments we have as responsible corporate citizens
- Respecting human rights in all business segments
- Taking care of health and safety
- Promoting sustainable development
- Supporting the principles of the UN Global Initiative.

In all our business activities, we are committed to applying the UN principles on business and human rights. We insist on the idea that our activities never result in breach of human rights. We are aware of specific challenges in certain issues regarding human rights in the Networked Society, such as freedom of expression, the right to privacy and the impact on other rights that arise from a potential misuse of technology. Therefore, we will increase our efforts to minimize these risks and challenges.

The Group promotes fair market competition as a foundation for business development and progress. In the open international market competition, the Group's employees must compete as strongly and as constructively as they can, fully adhering to the laws of each country they operate in. All the Group's employees are regularly educated and pass the knowledge test regarding anti-corruption; following education programs and knowledge tests, newly employed persons certify with their signature that they agree to abide by the Ericsson Anti-Corruption Policy (2016: 100 percent of employees).

The Group operates in line with strict accounting principles and standards, and reports full and correct financial data that are compliant with the law, other regulations and requirements for being listed on the stock exchange.

We foster long-term relations with our suppliers and business partners. These relations imply dialog, knowledge sharing and applying contemporary working models. The suppliers and their subcontractors are required to comply with the high-quality standards, the Code of Conduct, and the Code of Business Ethics.

Everyone who works for Ericsson is obliged to treat the corporate responsibility matters professionally, including issues related to human rights, health, safety and environment, and thus bear in mind corporation's commitment to responsible business in their daily work.

The Code of Business Ethics



The Code of Business Ethics is available at Ericsson's web page

■ APPLYING THE PRINCIPLES OF CORPORATE GOVERNANCE

Corporate governance provides a framework for management of business and supervision in the Company. Its long-term purpose, along with sustainability, is to continuously create economic value for the shareholders. Corporate governance also describes the way of reaching decisions and the structure through which shareholders can directly or indirectly control the Company's management.

Management Board and Supervisory Board of Ericsson Nikola Tesla d.d. encourage the respect of basic principles of corporate governance, striving to ensure transparent business and protection of rights and equal treatment of all shareholders, as well as to strengthen the responsibility towards all stakeholders. Company's experts continuously, timely and objectively inform the public about all important business activities and achieved results, thus strengthening the public perception of a Company that fully implements the Code of Business Ethics. Good governance of the Company impacts the strengthening of trust of all stakeholders, credibility with the customers, partners, employees, shareholders and others, and represents a significant factor for attracting investments in the Company.

Management board

Croatian Companies Act, the Statute and internal bylaws of Ericsson Nikola Tesla d.d. define the role of the Management Board in managing the Company. The Management Board is obliged to consciously perform its duties, taking into account the Company's and its shareholders' interests. Ericsson Nikola Tesla d.d. has a one-member Management Board, appointed by the Supervisory Board for a five-year term, with the possibility of re-election. The Management Board is obliged to regularly inform the Supervisory Board on financial and business results, strategy and business plans. The Management Board also reports on its performance at the Annual General Meeting, and implements the decisions reached at the Annual General Meeting. The salary and other earnings of the Management Board are defined by the Supervisory Board, and they depend on the Company's business results.

Supervisory board

The main task of the Supervisory Board is to supervise the Management Board in managing business. In doing so, Supervisory Board shall apply high ethical standards and take into account the interests of the Company and its shareholders. The Supervisory Board consists of five members, elected for a four-year term, with the possibility of re-election. The Supervisory Board reports to the Annual General Meeting on the supervision of Company's operations, presents the opinion on the Management Board proposal on the profit allocation and proposes the appointment of the Company's Auditor. In line with the decision of the Annual General Meeting, the members of the Supervisory Board receive a monthly remuneration amounting to half of the average monthly gross salary of the Company's employees. The members of the Supervisory Board who are at the same time employees of the Company's largest single shareholder, Ericsson, waived their remuneration in line with the corporate policy.

Supervisory Board operation

Pursuant to provisions of the Companies Act and Statute of Ericsson Nikola Tesla d.d., Ericsson Nikola Tesla d.d. Supervisory Board has continuously monitored Company's business operations, making decisions and conclusions at four regular and four extraordinary meetings held during 2016.

In 2016, Supervisory Board members were:

- Klas Roland Nordgren (Chairperson)
- Ignac Lovrek (Vice-Chairperson)
- Vidar Mohammad (Member)
- Dubravko Radošević (Member)
- Zvonimir Jelić (Member and Employees' Representative).

The Management Board regularly informed the Supervisory Board on all important business activities and the course of business operations.

The financial results, situation on domestic and export markets, and ICT industry trends were discussed in detail at the meetings. Further topics of discussion were as

Management structure



follows: business plans and strategic projects, business risks, investments and issues regarding human resources and shareholders. In addition, the Supervisory Board continuously monitored the development of business and responsibilities of the R&D Center, Engagement Practices & Operations, and IT & Test Environment Unit. Supervisory Board analyzed and approved the Business Strategy 2016-2019, as well as transformation programs aimed at business development.

The topics of Supervisory Board extraordinary meetings were: dividend payment, approving annual financial reports for 2015, defining objectives for 2016, and founding a local company in Belarus.

In 2016, there were no changes in Supervisory Board composition. After his term expired, the Chairperson of the Supervisory Board, Mr Klas Roland Nordgren was re-elected at the Annual General Meeting, held on May 31, 2016.

Audit Committee operation

In 2016, the Audit Committee acted in the following composition: Ignac Lovrek, Chairperson and Vidar Mohammar, Member.

During 2016, the Audit Committee held four meetings, where annual financial performance, annual financial statements, 2016 audit plan, audit findings, internal control system and risk management system were discussed. Moreover, the Committee performed other tasks in line with the new EU audit legislation. Audit Committee regularly presented its conclusions and recommendations to other members of the Supervisory Board.

Annual General Meeting

The Annual General Meeting is a place where the Company shareholders exercise their legally established rights. Annual General Meeting decides on profit allocation, amendments to the Company Statute, election and recall of the Supervisory Board members. Furthermore, it decides on discharge from liability of the Management Board and the Supervisory Board, appointment of an independent auditor of annual financial statements, as well as on other issues explicitly defined in the Companies Act and the Company's Statute.

Statement on the application of the Code of Corporate Governance

Ericsson Nikola Tesla d.d. was among the first companies in Croatia to adopt its own Code of Corporate Governance (in April 2005), based on the legislation of the Republic of Croatia and the recommendations published in OECD Corporate Governance Working Papers. The mentioned documents clearly describe and define the rights and obligations of the Management Board, Supervisory Board and shareholders (<http://www.ericsson.hr/corporate-governance>).

The Company also applies the Code of Corporate Governance of the Zagreb Stock Exchange (Zagrebačka burza d.d.), and meets the obligations derived therefrom, with the exception of provisions whose application is not practical at the moment.

Statement on the application of the Code of Corporate Governance is published on the Company's web page (www.ericsson.hr/corporate-governance), as well as on Zagreb

Stock Exchange (www.zse.hr) and the Croatian Financial Services Supervisory Agency – HANFA (www.hanfa.hr) web pages.

Deviations from the Zagreb Stock Exchange Code of Corporate Governance are as follows:

- **2.6. Usage of modern communication technology**
The shareholders and their proxies shall be allowed to vote at the Annual General Meeting using modern communication technology. However, for the time being, it is not possible to remotely participate at the Annual General Meeting using the means of modern communication technology.
- **4.2. Composition of the Supervisory Board**
Supervisory Board is not composed of majority of the Supervisory Board independent members. Out of the total of five members of the Supervisory Board, two members are elected on the proposal of the largest shareholder, one member is the representative of employees, and the remaining two members are independent.
- **4.7. Remunerations/Compensations to Supervisory Board members**
Members of the Supervisory Board receive a monthly remuneration amounting to half of the average monthly gross salary of the Company's employees. The two members of the Supervisory Board who are also employees of Ericsson, the Company's largest single shareholder, waived their remuneration in accordance with the corporate policy.
The information on all compensation and other income from the Company, or Company-related persons, to the members of the Supervisory Board are not published individually for each member, but in the total amount in the Annual Report.
- **4.12. Committees (Boards)**
The Supervisory Board does not have an established appointment committee and remuneration committee. Other members of the Supervisory Board have given their consent to the Chairman of the Supervisory Board to determine the way of remuneration of the Company's Management Board, and to take into account the appointment of new members, and monitor the work of the Supervisory Board and Management Board of the Company.
- **4.12.3. Audit Committee**
Audit Committee is not composed by majority of the independent members of the Supervisory Board. In 2016, the Committee had two members, one of whom is independent.
- **6.3. Remuneration**
Remuneration of the Management Board is regulated by an individual employment agreement, agreed between the Management Board and the Supervisory Board. The remuneration for the work of the Supervisory Board is determined by the decision of the Annual General Meeting.
The statement on the remuneration policy for the Management and Supervisory Board was not published.
- **6.3.3. Publication**
The information regarding salaries and other ways of remuneration of the Company's Leadership Team were published in the Annual Report, in total for all members.

■ ENVIRONMENTAL PROTECTION

Implementation of regulations and standards

Responsible relation towards the environment is an integral part of Ericsson Nikola Tesla Group's business strategy and culture. Ericsson Sustainability Policy, Ericsson Supplier Environmental Requirements, and Ericsson Lists of Banned and Restricted Substances are key documents that define our relation towards the environment. Environmental management system is built into the Company's Integrated Management System.

Activities related to environmental management are carried out and coordinated through a network for operational excellence, which is an integral part of the processes related to the development and quality of business. Members of the Company's special team regularly and systematically carry out internal and external assessments of the functioning of environmental management system, including the inspections in other members of the Group, as well as assessments of chosen suppliers, to maintain the ISO 14001 certificate obtained at the corporate level. All these activities are in line with the provisions of the Croatian law on environmental protection, as well as with international standards in the field. Through corporation channels, Ericsson Nikola Tesla experts actively participate in global initiatives focused on environmental protection, monitor the adoption and regularly check the implementation of Croatian regulations in this field, thus making their full social contribution to the environmental protection.

Products and services with a positive impact on the environment

ICT solutions, products and services that the Company offers are recognized as "green technologies" which have a positive impact on business, people's lives and the environment, including climate change. Ericsson Nikola Tesla has developed and/or participates in the development and implementation of numerous e-/m-products and services, such as Central Healthcare Information System of the Republic of Croatia (CEZIH), ePrescription, and Joint Information System for Land Registry and Cadaster. In this way, we offer a high-quality alternative to transportation, i.e. traveling to a certain location merely to provide a certain service, thus reducing the amount of greenhouse gases, which would otherwise be emitted into the atmosphere. Let us remind ourselves that global research has shown that ICT industry accounts for only 2 percent of carbon dioxide emissions at global level, while its quality application in other industrial sectors may reduce these emissions by up to 20 percent.

Our contribution to mitigating climate change

Ericsson Nikola Tesla experts share the opinion that if we dedicate enough of attention and responsibility in our everyday actions, we can give our measurable contribution to stopping and shifting negative trends that threaten with the increase in average global temperature and sea and ocean

level, destructive winds, floods and droughts. Therefore, a consistent implementation of public policies is put forward as a rational response to mentioned climate challenges: first for the purpose of calculation, and afterwards for the purpose of reducing carbon footprint.

LIFE Clim'Foot project, in which institutions from France, Croatia, Greece, Hungary, and Italy participate, with the coordination of the French ADEME agency (*Agence de l'Environnement et de la Maitrise de l'énergie*), is focused on supporting and monitoring the effectiveness and efficiency of the policies and activities for reducing greenhouse emissions. The holder of the project in Croatia is Energy Institute Hrvoje Požar (EIHP) and Ericsson Nikola Tesla company has joined the project as one of the business subjects that volunteered to calculate their carbon footprint by autumn of 2018, prepare a strategy for its reducing, thus supporting the creation of a plan for replication and transferability to other business subjects. The calculation will be based on Bilan Carbone[®] model, which has been prepared by ADEME agency and is based on the application of Life-cycle assessment (LCA) approach, which has been used for many years by all the members of Ericsson corporation in their business. One of the main characteristics of this model is comprehensibility, which means that it includes also the activities through which we can every day do something to make our planet a place with a better climate for its inhabitants. In accordance with that idea, Ericsson Nikola Tesla has become the first company in Croatia to be awarded the European "cycle-friendly" certificate, whereby it joined the new initiative by socially responsible companies in Europe, sharing a common goal of reducing the emissions of greenhouse gases into the atmosphere and having a positive impact on the health of their employees.

Responsible use of resources

Our main product is knowledge; therefore, we use it in our daily activities to rationalize electricity, water and steam consumption, as they represent key resources in the production process, which is primarily characterized by intellectual work. Using a central system for monitoring energy consumption enables us to better manage and maintain energy systems, while monitoring the entire pipeline system results in timely repair works and avoiding unnecessary losses. Owing to our experts' innovations, we are able to point out up to 60 percent of electricity saving in our test models, i.e. in test environment, which is one of our main resources and our largest electricity consumer. Moreover, since mid-2014, in our business operations, we exclusively use ZelEn (green) energy from renewable energy sources. In this way, we contribute to the objective of meeting Horizon 2020 national goals, and we completely meet one of the corporation's strategic goals, which is related to "green business" and sustainable development.



The Group manages the impact its operations have on the environment, including its work premises, business trips, and logistics-related activities, where services, and shipping and distribution of products are being optimized. By using solutions such as video conferences, e-learning system, e-meetings, etc., we have reduced the number of business trips and implemented smart solutions that save money and time, as well as reduce greenhouse emissions.

A considerable part of our services is delivered remotely, primarily in the segment of network design and optimization, network integration and software upgrade. Moreover, we use intelligent tools for collaboration, ensuring customer satisfaction with the service provided, regardless of the fact that they are provided remotely.

Waste management

We manage waste in line with the Act on Sustainable Waste Management, Ordinance on Waste Management, and corresponding regulations for special waste categories, which means that we take comprehensive and systematic care of all types of waste produced on site, and manage all documentation required on waste origin and flow. The Company meets all its obligations stipulated by the Ordinance on the management of waste electrical and electronic appliances and equipment. We observe all the prescribed requirements regarding electronic waste disposal on our sites, and in line with Ericsson's Ecology Management and Product Take-Back directive and certain customers' demands, we take care of disposing their electric and electronic equipment.

Along with municipal solid waste, our Company collects, separates, and ecologically disposes of another 14 types of waste: paper, glass, electronic, metal, plastic, and wood waste, cables, batteries, cartridges, fluorescent tubes, filters with activated carbon, ethylene glycol, and waste from sewage cleaning. In 2016, we produced around 115 tonnes of waste in total, which is 25 and 35 tonnes less than in 2015 and 2014 respectively, or 45-105 tonnes less than in the years up to 2012.

We always strive to rationalize the consumption of paper by raising awareness on avoiding unnecessary printing of documents and on using and introducing new applications adapted to e-Business.

Waste generated at Ericsson Nikola Tesla in 2016

Key waste code	Waste name	kg
08 03 17	Disposable cartridges	539
15 01 01	Paper and cardboard packaging	45,770
15 01 02	Plastic packaging	16,140
15 01 03	Wooden packaging	23,110
15 01 07	Glass packaging	600
15 02 03	Filters with activated carbon	360
16 01 14	Ethylene glycol	760
16 02 13	Electronic waste	9,400
16 06 01	Lead batteries	240
17 04 05	Iron and steel	5,870
20 01 02	Glass	2,030
20 03 06	Waste from sewage cleaning	9,780
20 01 21	Fluorescent tubes	160
20 01 33	Batteries (small)	230

Systematic work on the optimization and reduction of energy consumption

By using a central system for monitoring all energy consumption, prerequisites have been made for better management and maintenance of energy installation systems, which has resulted in the optimization of energy consumption, while the monitoring of the entire pipeline system has resulted in timely repair works and in avoiding unnecessary water losses. Therefore, despite the fact that our capacity has been increased, i.e. new jobs have been created, we have maintained practically the same level of consumption as the previous year.

Quantitative indicators of water, steam, and electricity consumption for this and previous year, at the Group's location at Krapinska 45, are presented in the following table.

Energy consumption

Year	Water (m3)	Steam (tonnes)	Electricity (MWh)
2015	32,329	8,833	19,013
2016	33,904	9,137	19,098

Relation towards the suppliers

We are aware that we can successfully control the impact on the environment only if we monitor the entire supply chain. Therefore, we apply Ericsson's Supplier Code of Conduct, which, along with the requirements in the field of basic human rights, work standards, and anti-corruption, contains also basic principles of responsible environmental management. Supplier-related environmental requirements cover environmental management system, product design which is environment- and production-friendly, product information and transport. The suppliers are also familiarized with the list of hazardous and banned or restricted substances, and they are required to prove the absence of such substances in their products. Moreover, we continuously carry out assessments (audits) of our suppliers in line with Company's corresponding plans, evaluate the impact of our supply chain on the environment, contributing to the overall quality of all participants. In accordance with the findings, we suggest improvements and take necessary corrective measures where appropriate, including the change of suppliers.

Education in the field of environmental protection

Through articles published on our intranet pages, as well as through various systematic processes in the Company, we raise awareness of our employees and motivate them to exert a positive impact on the environment through their own actions. Primarily through "Komunikacije" magazine, publications on the Internet, and participation in various social activities, we transfer our knowledge and experience to our suppliers/contractors and partners as well.

We foster a high-quality collaboration with specialized companies and institutions, and through dialog, consultation, and opinion sharing, we contribute to the forming of positive changes and raising awareness on the importance of responsible relation towards the environment.

COMMUNITY RELATIONS

In addition to its financial responsibility, Ericsson Nikola Tesla Group is highly aware of the responsibility towards the local community in which it operates. Implementation of socially responsible projects is in line with high global standards and also applies the best business practices in this field. We use elaborated and established methods and tools to recognize and choose the projects through which we can best contribute to improving the lives and work of all our stakeholders. Priority is always given to projects where technology, our products, solutions and services, as well as knowledge and skills of our experts, play an essential role.



Here we highlight some of the numerous projects in the field of education, health care, culture, sports, and an entire range of charity projects:

- Sponsoring and participating in the work of numerous scientific and other professional conferences, workshops, and other professional gatherings
- Collaboration with the Faculty of Electrical Engineering and Computing (University of Zagreb) and the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture (University of Split) in the field of science and research, development and education
- Ericsson Nikola Tesla Open Doors program, including nearly 1,000 young people, primarily pupils and students from Croatia and abroad. The program beneficiaries had the opportunity to get acquainted with the latest technology, intended for the needs of the Networked Society, and the possibilities of professional development should they focus their education on STEM
- Donations to:
 - > Reconstruction of Vukovar Water Tower
 - > The work of the Club of voluntary blood donors Mertojak, Split
 - > Police Officers Association – a project for preventing children become victims of traffic injuries (creating a Traffic Coloring Book for children)
 - > Work of Pensioners' Convention Trešnjevka
- Numerous charity projects. We would like to highlight:
 - > Social store of the "Duga" association, Vukovar
 - > Social self-service store of the "Most" association, Split
 - > Soup Kitchen at Saint Joseph's Church, Zagreb
 - > Donation of used furniture to primary and secondary schools in Zagreb and surrounding places
 - > Didactic toys for children in "Bajka" daycare in Zagreb
 - > Ana Rukavina Foundation – humanitarian action "I want life!"
 - > Croatian Red Cross – "Bolnica Bezbolnica" project
- Our employees volunteering in various projects for the benefit of the society. We would like to highlight:
 - > Decorating day care and donating toys and tablets to the patients of Children's Hospital Srebrnjak
 - > Painting the sport stadium stand of IX high school in Zagreb
 - > Expert workshops for the freshmen of IX high school in Zagreb addressing the topic "The Networked Society and Us"
 - > Education workshops with the residents of the Retirement Home Trešnjevka in the Company's neighborhood
- Four voluntary blood donation events were organized at the Company premises, with the participation of 350 voluntary donors, who are all employees of Ericsson Nikola Tesla in Zagreb.

AWARDS AND RECOGNITIONS IN 2016



Lider business weekly and the Governance Research and Development Center awarded Ericsson Nikola Tesla the Recognition for Excellence in Corporate Management in Croatia.



Croatian Chamber of Economy (CCE) and the Croatian Business Council for Sustainable Development (HR PSOR) awarded Ericsson Nikola Tesla the Index for Socially Responsible Business Award (CSR Index), in the category of large companies.



eStudent association awarded Ericsson Nikola Tesla the Golden Index award for the best image among students, in the category of large companies.



Zagreb Stock Exchange and Poslovni dnevnik daily awarded Ericsson Nikola Tesla the Best Investor Relations Award.



For the second time in a row, Lider business weekly, in collaboration with Bisnode, named Gordana Kovačević, President of Ericsson Nikola Tesla, the most powerful woman in Croatian business.



Croatian Employers' Association (HUP) awarded Grand Prix to Ericsson Nikola Tesla for the best application of social responsibility principles in their business performance, especially in the areas of care for the employees, care for the environment, and care for the community.